

DETERMINANTS OF MERGERS AND ACQUISITIONS: EVIDENCE FROM THE SPANISH INSURANCE INDUSTRY

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ABSTRACT

This paper provides new evidence on the determinants associated with the likelihood of an insurer being involved in mergers and acquisitions (M&As) by investigating the factors for both becoming a target or becoming an acquirer in the Spanish insurance industry over the period 2000 through 2012. Overall, value-enhancing strategies have been the main motivations for the analyzed M&As, since the increase of performance in terms of scale and allocative efficiency are principal reasons to be involved as acquirers and insurers are more likely to be targets if they are less profitable and have higher premium growth rates. Results also indicate that the insurer's ownership type is a main determinant on the likelihood to be involved in M&As. A higher likelihood of becoming an acquirer exists for parents of Spanish insurance groups, then by subsidiaries of foreign insurance groups and subsidiaries of Spanish banking groups while a higher likelihood of becoming a target exists for subsidiaries of insurance groups (both Spanish and foreign). We also find that in non-life insurance, the higher likelihood of becoming an acquirer for parents of Spanish insurance groups is moderated by their own level of product diversification.

Keywords: Mergers and Acquisitions, Ownership Type, Financial Crisis, Spanish Insurance Industry

JEL classifications: G22, G34